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PUBLIC UTILITIES
COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In The Matter Of

PUBLIC UTILITIES COMMISSION

Instituting a Proceeding to Investigate Distributed
Generation in Hawaii.

DOCKET NO. 03-0371

PREHEARING CONFERENCE STATEMENT

AND

CERTIFICATE OF SERVICE

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PREHEARING CONFERENCE STATEMENT

This Prehearing Conference Statement is submitted by HAWAIIAN ELECTRIC COMPANY, INC. ("HECO"), HAWAII ELECTRIC LIGHT COMPANY, INC. ("HELCO") and MAUI ELECTRIC COMPANY, LIMITED ("MECO") (collectively referred to as the "Companies") with respect to the prehearing conference scheduled for November 29, 2004, pursuant to the Commission's November 1, 2004 letter.

On November 1, 2004, the Commission issued a letter to the parties/participant¹ to the proceeding requiring each party to submit, by November 22, 2004, a prehearing conference statement. The prehearing conference statement must contain, at the minimum, the following: (a) Name of Party; (b) Witnesses to be Called; (c) Exhibits, Schedules and Summaries; (d) A statement of all remaining motions, if any; (e) A statement of stipulations requested or proposed for hearing proposes, if any; (f) Statement summarizing the status of settlement negotiations; and (g) Estimate of Hearing Time.

The Companies address items (a) through (g) as follows:

¹ The parties/participant to the proceeding are HECO, HELCO, MECO, the Consumer Advocate, Kauai Island Utility Cooperative, Hess Microgen LLC, the County of Maui, the Hawaii Renewable Energy Alliance, Life of the Land and the County of Kauai.

(a) Party: HECO, HELCO and MECO.

(b) Witnesses to be Called: The Companies plan to call the following seven witnesses at the evidentiary hearing. The subject matter to be covered by each witness, addressed in the respective witness' direct and rebuttal testimony, and the issues to be addressed by the witness as set forth in Prehearing Order No. 20922, issued April 23, 2004, is listed below.

(1) Scott W. H. Seu

HECO T-1: Distributed Generation ("DG")
Application and Technologies, HECO
Consideration of DG, HECO Participation in
Combined Heat and Power ("CHP"), Hawaii CHP
Market, Customer Support for HECO CHP
Involvement, Impact on Competition, Current
HECO CHP Activities, Externalities, and Integrated
Resource Planning ("IRP")

HECO RT-1: Generic Benefits of DG, DG
Applications and Ownership Options, Companies'
Plans for DG, Distinction Between Utility and Non-
Utility CHP, Utility Ownership of Customer-Sited
DG, Customer Preference and Support for Utility-
Owned DG, DG Not Similar to Demand-Side
Management Measures/Programs, Impact Fees not
Appropriate, and Final Comments: Objective on
Competition

Mr. Seu will address the issues set forth in Prehearing Order No. 20922, including, but not limited to:

- Issue #1: What forms of distributed generation (e.g., renewable energy facilities, hybrid renewable energy system, generation, cogeneration) are feasible and viable for Hawaii? (Note: Issue #12 is the same as Issue #1.)
- Issue #2: Who should own and operate distributed generation projects?
- Issue #4: What impacts, if any, will distributed generation have on Hawaii's electric transmission and distribution systems and market? (As it pertains to what impacts, if any, distributed generation will have on Hawaii's electric market. Ms. Ishikawa will address what impacts, if any, distributed generation will have on the transmission and distribution systems.)
- Issue #7: What are the externalities costs and benefits of distributed generation?

Issue #9: What must be considered to allow a distributed generating facility to interconnect with the electric utility's grid?

(2) A. S. Seki

HECO T-2: Renewable DG, Differences Between Commercial Wind Farms and Small DG Wind Turbine Applications, Discussion on Renewable Technology Feasibility and Viability, and Policies and Incentives for Renewable Energy Development

HECO RT-2: Utility Support for Renewable Energy Development, and Summary and Update of Policies and Incentives for Renewable Energy Development

Mr. Seki will address renewable distributed generation as it pertains to the issues in this proceeding.

(3) R. H. Sakuda

HECO T-3: Generation Avoided Costs, Need for Utility CHP Capacity, DG/CHP and IRP, Reserve Capacity, Spinning Reserve and Operating Reserve, and Reduction in Fossil Fuel Use

HECO RT-3: Need for Utility CHP Capacity, Virtual Power Plant Concept, and DG/CHP and IRP

Mr. Sakuda will address the issues set forth in Prehearing Order No. 20922, including, but not limited to:

Issue #6: What utility costs can be avoided by distributed generation? (As it pertains to generation avoided costs. Ms. Ishikawa will address avoided transmission and distribution costs.)

Issue #8: What is the potential for distributed generation to reduce the use of fossil fuels?

Issue # 11: What revisions should be made to the integrated resource planning process?

(4) S. Y. Ishikawa, P. E.

HECO T-4: Impact of DG on the Reliability of the Transmission and Distribution ("T&D") System, Conceptual Overview of T&D Avoided Cost Calculation, and the Impact of DG on the Power Quality of the T&D System & DG Interconnections

HECO RT-4: Impact of DG on the Reliability of the T&D System, Conceptual Overview of T&D Avoided Cost Calculation, and the Impact of DG on the Power Quality of the T&D System & DG Interconnections

Ms. Ishikawa will address the issues set forth in Prehearing Order No. 20922, including, but not limited to:

- Issue #4: What impacts, if any, will distributed generation have on Hawaii's electric transmission and distribution systems and market? (As it pertains to what impacts, if any, distributed generation will have on the transmission and distribution systems. Mr. Seu will address what impacts, if any, distributed the transmission and distribution systems will have on Hawaii's electric market.)
- Issue #5: What are the impacts of distributed generation on power quality and reliability?
- Issue #6: What utility costs can be avoided by distributed generation? (As it pertains to avoided transmission and distribution costs. Mr. Sakuda addresses avoided generation costs.)
- Issue #9: What must be considered to allow a distributed generating facility to interconnect with the electric utility's grid?

(5) E. A. Seese

HECO T-5: Rate Design

HECO RT-5: Rate Design

Ms. Seese will address the issues set forth in Prehearing Order No. 20922, including, but not limited to:

- Issue #10: What is the appropriate rate design and cost allocation issues that must be considered with the deployment of distributed generation facilities?

(6) D. A. Gegax

HECO RT-5A: Consultant on Behalf of Hawaiian
Electric Company, Inc. on Rate Design Issues

Dr. Gegax will address the issues set forth in Prehearing Order No. 20922, including, but
not limited to:

Issue #10: What is the appropriate rate design and cost allocation issues that must be
considered with the deployment of distributed generation facilities?

(7) W. A. Bonnet

HECO T-6: Regulatory Policy Matters

HECO RT-6: Regulatory Policy Matters

Mr. Bonnet will address the issues set forth in Prehearing Order No. 20922, including,
but not limited to:

Issue #3: What is the role of the regulated electric utility companies and the
Commission in the deployment of distributed generation in Hawaii?

Issue #13: What revisions should be made to state administrative rules and utility rules
and practices to facilitate the successful deployment of distributed
generation?

Issue #14: The Commission has also allowed the parties to address general issues
regarding distributed generation raised in the informal complaint filed by
Pacific Machinery, Inc., Johnson Controls, Inc., and Noresco, Inc. in July
2003.

(c) Exhibits, Schedules and Summaries: The Companies' seven witnesses will be
sponsoring the following exhibits, which were included with each witness' respective direct and
rebuttal testimony.

(1) Scott W. H. Seu	HECO-100	Educational Background and Experience
	HECO-101	Excerpt from HECO/HELCO/MECO Preliminary Statement of Position, DG Technologies, pages 2-4, Docket No. 03- 0371
	HECO-102	Excerpt from HECO Response to CA-SOP- IR-5, page 3, Docket No. 03-0371
	HECO-103	Information on Distributed Generation Services from Austin Energy website

	HECO-104	HECO IRP-3 CHP Forecast
	HECO-105	Excerpt from HECO Response to Informal Complaint No. IC-03-098, filed August 5, 2003, Part I, Appendix B, Customer Comments Regarding Utility Offering of CHP
	HECO-106	Excerpt from HECO/HELCO/MECO CHP Program application, Docket No. 03-0366, Section VII.2, Hess Packaged Systems, pages 45-48
	HECO-R-100	Hess/HECO Teaming Agreement Termination
(2) A. S. Seki	HECO-200	Educational Background and Experience
	HECO-201	Current Status of HECO's Efforts to Meet RPS Levels
(3) R. H. Sakuda	HECO-300	Educational Background and Experience
	HECO-301	HECO Capacity Planning Criteria
	HECO-302	HELCO Capacity Planning Criteria
	HECO-303	Maui, Molokai and Lanai Capacity Planning Criteria
	HECO-304	Avoided Cost Methodology
(4) S. Y. Ishikawa	HECO-400	Educational Background and Experience
	HECO-401	HECO Transmission Planning Criteria
	HECO-402	HELCO Transmission Planning Criteria
	HECO-403	MECO Transmission Planning Criteria
	HECO-404	HECO Distribution Planning Criteria
	HECO-405	HELCO Distribution Planning Criteria
	HECO-406	MECO Distribution Planning Criteria
	HECO-407	Transmission Planning Process Overview Slide
	HECO-408	Distribution Planning Process Overview Slide
	HECO-409	Methodology of Transmission Loss Calculation
	HECO-R-400	Distribution Planning Process – Presentation to IRP-3 Integration & DSM Technical Committees, April 23, 2004
(5) E. A. Seese	HECO-500	Educational Background and Experience
	HECO-501	HECO, HELCO, MECO Subsidies From/To Other Classes
	HECO-502	HECO, HELCO, MECO Summary of Fixed Costs Recovered in Energy Rates

HECO-R-500 HECO/HELCO/MECO Tariff Sheets –
Schedule U, Rider M, T and I, Schedule
TOU-R (HECO only) and Schedule N
(MECO-Molokai only)

(6) D. A. Gegax HECO-R-500A Douglas Alan Gegax – Vita and Summary
Bio

(7) W. A. Bonnet HECO-600 Educational Background and Experience
HECO-R-600 Comparison of the Consumer Advocate's,
KIUC's and HECO's Positions on
Distributed Generation (DG) Issues

(d) Future Motions: The Companies do not have any remaining motions to be filed in this proceeding at this time.

(e) Stipulations: The Companies have not requested or proposed stipulations for hearing purposes.

(f) Settlement Discussions: The parties to the proceeding held a Settlement Conference on September 29-30, 2004 to discuss the critical issues in the proceeding in order to determine if settlement by the parties was possible on some or all of the issues. To help facilitate the settlement discussions, the Consumer Advocate developed a matrix of issues. At the Settlement Conference on September 29, 2004, there was significant discussion with respect to the matrix of issues, and the parties indicated their respective position on each element of the matrix. On September 30, 2004, the County of Maui circulated to the parties for discussion and consideration a "strawman" settlement proposal. The parties discussed the strawman settlement proposal both with and without the electric utilities (i.e., the Companies and Kauai Island Utility Cooperative) present. After the end of the settlement discussions with all parties on September 30, 2004, it was apparent that a settlement would not be reached with all the parties at that time. It is the Companies' understanding that the parties agreed that the procedural schedule would

continue with the remaining procedural steps, i.e., the filing of rebuttal testimony on October 22, 2004, the submission of rebuttal information requests (“RIRs”) on November 1, 2004 and the filing of responses to the RIRs on November 22, 2004, and following the completion of these procedural steps the parties would determine if further settlement discussions were warranted.

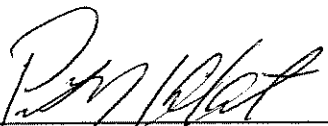
Subsequent to the September 29-30, 2004 settlement discussions with all the parties, the Companies, the Consumer Advocate and KIUC met to continue discussions on the matrix of issues. In their respective rebuttal testimony filed on October 22, 2004, the Companies, the Consumer Advocate and KIUC included the matrix of issues as an exhibit (i.e., for the Companies, HECO-R-601, for the Consumer Advocate, CA-RT-100, and for KIUC, KIUC-RT-101). The matrix indicated that the Companies’, the Consumer Advocate’s and KIUC’s positions are aligned, or at least not in conflict, with respect to the issues in this proceeding.

In its rebuttal testimony, CA-RT-1, at page 58, the witness stated “It is my understanding that the Consumer Advocate is willing to continue discussing the matrix with the remaining parties for purposes of resolving the difference on the DG issues. Accordingly, Exhibit CA-RT-100 may be updated prior to the hearing in this proceeding.” The Companies also support further discussions on the matrix of issues with the other parties to the proceeding with the intention of attempting to reach settlement on as many issues as possible prior to the proceeding starting on December 8, 2004. If these settlement discussion efforts are successful, the parties will submit for Commission review and consideration a stipulation prior to the commencement of the proceeding starting on December 8, 2004.

(g) Estimate of Hearing Time: Given the Commission’s November 16, 2004 letter, which, among other things, presented a revised hearing format, the Companies are unable to state at this time the estimated time for the Companies to present their case. The Commission’s letter

to the parties and participant dated November 16, 2004 stated that the Commission intends to amend the prehearing order to conform to the Commission's revised hearing format that was outlined in the letter, that the specific topics for discussion will be announced later, and that the revised hearing format may be discussed in further detail at the November 29, 2004 Prehearing Conference. The Companies would like to discuss the revised hearing format at the Prehearing Conference.

DATED: Honolulu, Hawaii, November 22, 2004.



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CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing **PREHEARING
CONFERENCE STATEMENT**, together with this Certificate of Service, by making personal
delivery or by causing a copy hereof to be mailed, postage prepaid and properly addressed, to
each such party:

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DATED: Honolulu, Hawaii November 22, 2004.



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